



**PREPARED TESTIMONY OF JULIA L. JOHNSON
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**RE SENATE BILL 2686, THE COMMUNICATIONS, CONSUMERS' CHOICE, AND
BROADBAND DEPLOYMENT ACT OF 2006**

MAY 18, 2006

INTRODUCTION

Good morning Mr. Chairman and members of the committee. Thank you for the opportunity to address you today.

I am Julia Johnson, Chairperson of the Video Access Alliance. The Alliance is a non-profit organization focused on supporting policies that promote competition in the market for the delivery of video services—whether by incumbent cable companies, traditional telecommunications companies or others—to consumers. We serve as an educational, advocacy and advisory group for independent, emerging and minority networks, content providers, programmers, entertainers and other industry participants. Our coalition consists of entrepreneurs and executives from minority and independent networks including MultiChannel Ventures, The Employment & Career Channel, The America Channel, The Tennis Channel, Black Education Network and ImaginAsian TV, to name a few.

For Alliance members, removing barriers to the deployment of innovative and competitive video service means more avenues to deliver more quality diverse programming to consumers at lower prices. As an organization, we believe that removing barriers to deployment of competitive video platforms will benefit all communities.

Unfortunately, much of the current debate has turned into a cable versus telecom fight. So much of the dialogue is focused on policies that benefit or harm competitors or categories of competitors when, instead, the focus should consistently and unrelentingly be on the consumer. The Video Access Alliance is not “for” or “against” cable. The Alliance is not “for” or “against” the telephone companies. We are for innovation and investment. We are for competition, consumer choice, lower consumer prices, and more diversity.

GUIDING PRINCIPLES

We are guided by a belief in several foundational principles, which include the following:

- Competitive platforms, innovative technologies, new business models, increased consumer choice and lower consumer prices should characterize the market for video services.
- Competitive video technologies are spurring innovation and investment – the result being robust product, service and price competition amongst an array of competitive video providers to the benefit of all consumers.
- The existing cable franchise process, one focused on the provision of video services by local cable monopolies, is not well-suited for the expeditious development of a competitive video market.
- The video market is national in scope (*i.e.*, national companies making national investments to deliver video across state borders) and the need to avoid patchwork policies argues strongly for national regulation..
- National regulation should be minimalist in nature, to encourage greater competition amongst providers and, thus, to ensure that consumer welfare is maximized.

The stakes of the current debate before this Committee are high. As stakeholders in different camps wave the consumer flag, it is important to bear in mind that consumers are entitled to more competition, greater choice, better prices, and more diversity. Policy should not be about protecting competitors or categories of competitors, but on policies that create competition and an environment for rapid investment and innovation.

The Alliance advocates for more platforms, which will lead to more robust and diverse content offerings, at lower prices, for America's consumers. We strongly support the need for more video distribution systems and encourage the use of broadband deployment into communities to bring consumers more innovative options.

The Alliance supports greater competition in the video delivery market. Fortunately, this legislation encourages such competition.

CONSUMERS BENEFIT FROM CHOICE

Consumers and the economy will benefit if companies invest in new video networks and build the infrastructure as quickly as possible. Additionally, consumers and the economy will benefit if the cable companies respond to that competition as quickly as possible. In addition to bringing more choices to more consumers, the competitive expansion of distribution networks will create a larger and more diverse base of distribution outlets for minorities and other entrepreneurs to create new programming and content businesses – all of which will generate more competition and choice, lower prices, and increase diversity in the content space.

In the video market, policy makers do not have to speculate as to whether competition will benefit consumers. We know that it will. The General Accounting Office, for example, has concluded that where broadband service providers have entered markets and provided video services, basic cable rates have declined (GAO-04-241, February 2004). Specifically, the GAO concluded that “BSP’s entry into a market benefited consumers in the form of lower prices for subscription television, high speed Internet access and local telephone services.”

Creating an environment that allows for rapid investment in and deployment of new video platforms will have a “compounding” consumer benefit. That is to say, competition will lead the underlying video distribution networks to lower their prices. Additionally, **with competition**, there

will be a need for networks to distinguish their offerings -- which will allow for more diverse and higher quality content. Furthermore, competition in the programming/content space will lead to more competitively priced programming-- independent channels having been shown to apply downward pricing pressure on affiliate channels.

The result will be extraordinary savings for consumers, higher quality programming and greater choice for consumers.

IMPORTANCE OF REFORM FOR INDEPENDENT NETWORKS

We all recognize that the current market environment denies these full benefits to consumers. The facts are undeniable: Independent networks, as a group, are excluded under the current structure. Recent research indicates that under the current market structure, the top video distribution networks carried—on a non-premium, national basis—less than 1% of channels with no media affiliation. A number of studies, including one by the GAO as well as academic studies, confirm that the top cable operators are much more likely to carry their own affiliated channels than independents. Furthermore, the FCC has found that cable television providers offer- at least- 6 percent fewer programs in the absence of competition. At the same time, independent channels have been shown to cost less than 1/3 of what affiliated channels cost. So independent channels apply downward pricing pressure on what the consumer pays. In a market characterized by severe discrimination and lockout of independent channels, the FCC's existing program carriage rules do not provide an adequate mechanism for relief, and require modification to help independent channels.

The best way to ensure diversity of information sources, lower prices for cable TV, higher quality programming and more consumer choice is to create an environment that allows for the rapid deployment of more platforms and greater competition – which will also create more competition in the content space.

Competition will super-charge the video delivery market and have a favorable economic impact on our economy. We support greater competition in the video delivery market—and fortunately this legislation does just that. We would like to see telecommunications companies expand their video networks as quickly as possible. We’d like to see the cable companies expand their networks as quickly as possible. And we again applaud the committees’ efforts in working to do so.

Delay in the passage of this bill would be disastrous for independent networks, and for consumers. It will exacerbate the problem of higher prices and poor choice. Expedious passage of video franchise reform is a matter of great urgency, for the consumer and for competition in both distribution and content.

PROMOTING CONTENT & PROGRAMMING DIVERSITY

Independent channels have been frozen out of the cable TV market. While we empathize with the worries of the content providers on the Internet side, there has not been a systemic market dysfunction in broadband, whereas in the cable TV market, competition and independent channels have been severely stifled. A look at consumer benefits clearly demonstrate this: Over the last several years broadband prices have come down precipitously while cable prices have risen over 86% in the last ten years. In the broadband market there are millions of content providers, while in the cable TV market a small group of companies control most of the content. Therefore as a matter of urgency, what we need right now is “TV Neutrality,” not “Net Neutrality.” Consumers need more distributor competitors, and more content competitors – and more competition will generate more choice, better prices, and greater diversity. We should monitor potential future abuses in broadband, and take action in the future if it becomes necessary. But as a matter of urgency in the video space, let’s not hurt consumers by delaying video franchise relief.

The Alliance asks that you focus on the issues of unreasonable control of content distribution, lack of competition and lack of choice, and that you remain focused on resolving a real market problem in need of urgent relief -- which is the need for real competition in the cable TV market in order to bring consumers lower prices and greater choices.

We believe that new choice in programming is just one benefit of reforming our video franchise laws. Equally important to the minority communities that many of our coalition members serve are the technological advances and increased capacity competition would undoubtedly create. We strongly believe that innovation, open markets and fair competition will encourage investment in infrastructure that will allow for the new applications and distribution models. These applications, many of which have yet to be invented, will bring opportunities like distance education, global commerce and telemedicine closer to all consumers.

MINORITY MARKETS & CONSUMERS

A number of our members are minorities or focus on minority markets, and the issue of availability of these new offerings is of tremendous importance to us. We have a unique interest—both socially and economically—to ensure that consumers have access to all the amazing innovations video franchise reform will bring. We believe that the best way to ensure networks are built and available to all is to **let the markets work**. Given minority consumers' enormous buying power, we firmly believe that minority consumers will be particularly attractive to all providers in the video distribution marketplace.

Minority consumers have been shown in recent studies to spend more on media products and services than other demographics. According to a study by Horowitz Associates, minorities are the top subscribers to premium channels and have higher penetration rates for digital television.

A market-driven solution, coupled with the redlining safeguards included in the legislation, provide the best solution to ensure all consumers benefit from video franchise reform.

CONCLUSION

In conclusion, the more choices consumers have in the video market, the better. Expanded video distribution networks, and the resulting competition amongst providers, will result in lower consumer prices, higher quality diverse consumer programming and overall enhanced consumer choice. Moreover, we know that with this expansion will create more opportunities for independent, minority, emerging, and other non-mainstream networks to be distributed into all communities.

The beneficiaries of a robust video market are the consumers. As such, all of us concerned with public policy decisions must continuously pursue policies to ensure that we as a nation help provide consumers with more choices of innovative technologies as expeditiously as possible.

I again applaud the Committee's efforts and respectfully ask that you continue to make video franchise reform, and the legislation that is the subject of this hearing, a priority this year. As consumers, we will all benefit from more robust competition in the market for the delivery of video services.

Again, thank you for inviting me to testify today.

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